Minimum second installment $1,662,164

[T.D. 8132, 52 FR 10051, Mar. 30, 1987]

§ 1.6655–3 Short taxable years in the case of corporations.

(a) *In general.* The provisions of section 6655, with certain modifications relating to the application of subsection (d) thereof, which are explained in paragraph (b) of this section, are applicable in the case of a short taxable year for which a declaration is required to be filed. (See § 1.6016–4 for requirement of declaration for short taxable year.)

(b) *Rules as to application of section 6655(d).* In any case in which the taxable year for which an underpayment of estimated tax exists is a short taxable year due to a change in annual accounting periods, in determining the tax:

(1) Shown on the return for the preceding taxable year (for purposes of section 6655(d)(1));

(2) Based on the current year's rates but otherwise on the basis of the facts shown on the return for the preceding taxable year and the law applicable to such year (for purposes of section 6655(d)(2)); or

(3) Computed by placing taxable income for a portion of the current year on an annual basis under section 6655(d)(3);

the tax will be reduced by multiplying it by the number of months in the short taxable year and dividing the resulting amount by 12. The application of the exception provided in section 6655(d)(3) shall be determined as if the estimated tax were 70 percent of the tax so reduced.

(c) *Preceding taxable year a short taxable year.* If ''the preceding taxable year'' referred to in section 6655(d)(2) was a short taxable year, the tax computed on the basis of the facts shown on the return for such preceding year, for purposes of determining the applicability of the exception described in section 6655(d)(2), shall be the tax computed on the annual basis in the manner described in section 443(b)(1) (prior to its reduction in the manner described in the last sentence thereof). If the tax rates for the taxable year with respect to which the underpayment oc-

curs differ from the rates applicable to the preceding taxable year, the tax determined in accordance with the preceding sentence shall be recomputed using the rates applicable to the year with respect to which the underpayment occurs.

[T.D. 6500, 25 FR 12152, Nov. 26, 1960]

§ 1.6655–5 Addition to tax on account of excessive adjustment under section 6425.

(a) *In general.* (1) Section 6655(g) imposes an addition to the tax under chapter 1 of the Code in the case of any excessive amount (as defined in subparagraph (3) of this paragraph) of an adjustment under section 6425 which is made before the 15th day of the third month following the close of a taxable year beginning after December 31, 1967. This addition to tax is imposed whether or not there was reasonable cause for an excessive adjustment.

(2) If the amount of an adjustment under section 6425 is excessive, there shall be added to the tax under chapter 1 for the taxable year an amount determined at the annual rate referred to in the regulations under section 6621 upon the excessive amount from the date on which the credit is allowed or the refund paid to the 15th day of the third month following the close of the taxable year. A refund is paid on the date it is allowed under section 6407.

(3) The excessive amount is equal to the lesser of the amount of the adjustment or the amount by which (i) the income tax liability (as defined in section 6425(c) of the Code) for the taxable year, as shown on the return for the taxable year, exceeds (ii) the estimated income tax paid during the taxable year, reduced by the amount of the adjustment.

(4) The computation of the addition to the tax imposed by section 6655 is made independently of, and does not affect the computation of, any addition to the tax which a corporation may otherwise owe for an underpayment of an installment of estimated tax.

(5) The provisions of section 6655 may be illustrated by the following example:

Example. Corporation A, a calendar year taxpayer, had an underpayment as defined in section 6655(b) for its fourth installment of